



Fairfax County Internal Audit Office

**Department of Public Safety Communications
Business Process Audit
Final Report**

May 2018

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Public Safety Communications (DPSC). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, monthly reconciliations, limited review of accounts receivable and revenue collections, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included time/attendance system and controls, attendance/absence reporting, employee clearance record processing, credit check requirements for positions of trust, and procedures for completing criminal background investigations for employment in sensitive positions.

We found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. Reconciliations were independently performed and were completed in a timely manner. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Four Employee Acknowledgement Disclosure (EAD) Forms were not on file.
- Our audit noted six instances where items requiring technical review were purchased on a county procurement card without going through the proper technical review.
- Procurement card transaction logs did not accurately reflect all procurement card activity.
- Our audit noted three instances where non-purchase order items were not on the approved list of Financial Policy Statement (FPS) 630.
- In three instances, travel authorization forms were completed *after* the travel took place and, in one instance for travel by the department head, the form was not signed by the County Executive or Deputy County Executive.
- Control weaknesses were noted in the process for completing the Employee Clearance Record Checklist.
- The Department Operating Procedures Form required by Financial Policy Statement (FPS) 470, *Processing Monetary Receipts*, was not completed.

Scope and Objectives

This audit was performed as part of our fiscal year 2018 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the Department of Public Safety Communications compliance with county policies and procedures for purchasing processes, personnel/payroll administration, and financial reconciliation. We performed audit tests to determine internal

controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included procurement card, FOCUS marketplace, purchase order, open-ended purchase order, and non-purchase order transactions that occurred during the period of September 2016 through August 2017. For that period, the department's purchases were \$4,254,602 for procurement cards, \$25,855 for FOCUS marketplace, \$6,446,445 for purchase orders, and \$2,593 for non-purchase order payments.

Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

Findings, Recommendations, and Management Response

1. Employee Acknowledgment Disclosure Form

During our transaction testing, we noted 4 instances where the employees who used the procurement card did not have a signed Employee Acknowledgement Disclosure (EAD) Form on file.

Procurement Technical Bulletin (PTB) 12-1009 requires that all first-time card users sign and date an EAD Form. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse. The agency program manager is to maintain the signed forms for at least two years following the employee's departure from the agency.

When staff do not complete EAD forms, it increases the risk of misuse of the agency procurement cards.

Recommendation: DPSC should ensure that each employee using a procurement card sign and date an EAD Form. The forms should be retained as required by PTB 12-1009.

Management Response: The agency EAD forms were originally completed for all authorized procurement card users, but the forms were subsequently lost. DPSC's Financial Specialist III will ensure the agency continues to require completion of the forms for all users and, while securing the original paper copies, stores electronic back-up copies of the forms on the agency's network drives.

Note: Since our audit finding, Internal Audit Office (IAO) verified a sample of transactions and noted that DPSC had EAD forms for all the selected employees. No follow-up will be performed for this item.

2. Technical Review

Six items were purchased using the procurement cards without going through the proper technical review. Five of these items were IT related including Adobe Creative Cloud, cable press, power stripes, and display port cables. The sixth item was a workfit-a-sit stand workstation.

Procurement Technical Bulletin (PTB) 12-1010, *Technical Review Program*, states: “Unless formally exempted by the responsible technical review department, no department may purchase an item or service requiring technical review without first completing the review process. For this reason, items and services requiring technical review may not be purchased using a procurement card or any other non-FOCUS purchasing process without documentation of approval from the responsible technical review department.”

The purchase of technical equipment on the county procurement card circumvents the technical review process. Purchasing technical items on the p-card increases the risk of overpayment for goods, purchasing items that are incompatible with the county’s systems or not compliant with the county’s standards, and purchasing from a vendor that does not offer technical support.

Recommendation: We recommend DPSC create purchase orders in FOCUS to procure equipment requiring technical review in accordance with PTB 12-1010 prior to making any purchases of technical equipment. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

Management Response: DPSC’s Financial Specialist III and Financial Specialist I have discussed the county and agency procurement policies and procedures with staff who did not follow them, and the agency will place increased emphasis and scrutiny on the technical review process. Management has stated that they have completed these actions as of this audit report. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

3. Procurement Card Transaction Log

We reviewed the p-card transaction logs for the period of September 1, 2016 to August 31, 2017. We noted that on two occasions, the items purchased were not on the p-card log. Also, on four other occasions, the actual transaction dates did not match the dates on the p-card log. For instance, a repair service charge for the gym machines occurred on January 19, 2017; however, it was logged on December 14, 2016. Additionally, the dates of several transactions were not in chronological order.

Procurement Technical Bulletin (PTB) 12-1009 states “the department shall maintain a log that records purchases as they occur and tracks who is in possession of p-cards. Departments may use a manual or electronic log to record both debit and credit transactions. Entries must be contemporaneous so that they provide up-to-date information on funds expended and should identify the p-card user. Department staff may use the example in this PTB, Attachment D, as a guide when developing a p-card transaction log. Departments should ensure that it contains all of the elements as shown in Attachment D.”

Recommendation: We recommend that DPSC maintain a transaction log which accurately reflects all procurement card activity, to ensure that card use is properly monitored.

Management Response: DPSC’s Financial Specialist III will discuss procurement card policies and procedures, especially regarding transaction logging, with agency cardholders to improve log accuracy. Management has stated that they have completed these actions as of this audit report. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

4. Non-Purchase Order Payment

Our review noted three Non-PO payments that were not listed as an allowable category per FPS 630, *Non-PO Payments*. The payments were for food, drinks, Ethernet cable, batteries, and plastic tabs.

Per FPS 630, “All distinct business units (departments, agencies, etc.) of the County are responsible for ensuring that Non-PO payments are used appropriately and processed in accordance with regulations and County policy. All purchases from nongovernmental or governmental sources for goods or services shall be conducted with a purchase order or procurement card (p-card) unless exempted by this policy. Exemptions for procurement other than those identified in Attachments 1-A and 1-B must be approved by the County Purchasing Agent (Director of the Department of Purchasing and Supply Management, DPSM). Departments must provide documentation of authorized exceptions to the Department of Finance (DOF)” and “When appropriate, a p-card is the preferred method of conducting transactions. Non-PO payment documents may not be used as a substitute for a purchase order (PO), eligible p-card purchase, or used to circumvent the competitive procurement process established by the Fairfax County Purchasing Resolution at <http://fairfaxnet.fairfaxcounty.gov/Dept/DPSM/Policy/purchres.pdf>.”

Using a Non-PO to purchase an unapproved item circumvents established purchasing controls and reviews, increasing the risk for inappropriate purchases.

Recommendation: We recommend DPSC only use the Non-PO payment method for purchases that are listed as approved categories for Non-PO payment vouchers in FPS 630. Exemptions for procurement other than those identified in FPS 630 must be approved by the County Purchasing Agent.

Management Response: The purchases in this finding were considered urgent by an employee working to complete a project on a short timeline. DPSC's Financial Specialist III and Financial Specialist I discussed the issue with the employee and his team and what the proper course of action should have been.

Note: *Since our audit finding, IAO verified that DPSC had communicated the non-purchase order payment policy to appropriate employees. No follow-up will be performed for this item.*

5. Travel Authorization

Our audit noted three non-purchase order payments for travel reimbursements that had the travel authorizations completed and approved *after* the travel return date. In addition, the form for travel by the department head was not signed by the County Executive or Deputy County Executive.

Procedural Memorandum (PM) 06-03, *Fairfax County Travel Policies and Procedures*, requires that a Travel Authorization Form be "used as pre-approval for the traveler to incur reimbursable and/or travel-related procurement card expenses and to obtain a travel advance for those expenses that cannot be paid via procurement card." Additionally, guidance provided in the Travel Tips and Reminders document on the Department of Finance website states: "Before you purchase any tickets or pay for registration you MUST complete a Travel Authorization Form and have department approval. Items purchased without prior approval may not be reimbursed." Also, the policy requires that when a department head travels, the form must be approved by the County Executive or Deputy County Executive.

Failure to complete a travel authorization form prior to incurring expenses for travel, or obtain appropriate written approval increases the risk of inappropriate or unauthorized travel expenses and incurring expenses that may not be reimbursed.

Recommendation: DPSC should adhere to the requirements of PM 06-03 and ensure a Travel Authorization Form is completed and approved *before* any non-local or overnight travel arrangements are made. In addition, when the department head travels, the form must be signed by the County Executive or Deputy County Executive.

Management Response: DPSC's Financial Specialist III and Financial Specialist I discussed travel policy with the personnel involved in initiating and approving travel. All non-local or overnight travel arrangements will be completed and approved before any travel occurs. Agency director travel will be approved by the County Executive or Deputy County Executive.

Note: *Since our audit finding, IAO verified that DPSC had communicated the travel authorization policy to appropriate employees. No follow-up will be performed for this item.*

6. Employee Clearance Record Checklist

Our audit noted several control weaknesses in the process for completing the Employee Clearance Record Checklist. Of the seven employees tested, two checklists were not completed. Further, the checklist for another employee was completed on November 16, 2016 while she was terminated on November 10, 2016. In addition, DPSC had not given a copy of the checklist to the departing employees.

Per PPAPP Memorandum No. 33, *Employee Clearance Record*, “Departments are required to complete an Employee Clearance Record Checklist with each employee transferring from one department to another or leaving County service for any reason”, and “Employees receive a copy of the attached Employee Clearance Record Checklist and sign verifying receipt.”

Failure to maintain adequate controls over the process for completing Employee Clearance Record Checklists increases the risk of County property not being returned; terminated employees having access to County systems; and, disputes between the County and prior employees, should an issue arise at a later date.

Recommendation: DPSC should fully complete and retain an Employee Clearance Record checklist for employees leaving the County service. Additionally, a copy of the signed checklist should be provided to the employee upon departure from the County.

Management Response: DPSC’s HR personnel, supervisors, and managers had corrected the issue to include a signed copy to the exiting employee, including retirees and transfers. Management has stated that they have completed these actions as of this audit report. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

7. Processing Monetary Receipts

The Department Operating Procedures Form required by FPS 470, *Processing Monetary Receipts*, was not completed. This form identifies staff names(s) and position(s) responsible for the collection, recordation and reconciliation for all monetary receipts.

FPS 470 states: “At a minimum, all departments are required to complete the Department Operating Procedures Form (Attachment 1).” In addition, in order to document adherence to FPS 470, the form must be completed and retained on file for the Department of Finance (DOF) and audit review. “Any exception to this policy must be requested in writing, from the Director of the requesting department by completing a Processing Monetary Receipts Waiver Request Form and submitting it to the DOF Director.”

Not having the Department Operating Procedures Form completed increases the risk for fraud or error to occur, and inadequate safeguarding and handling of monetary receipts.

Recommendation: DPSC should complete the Department Operating Procedures Form and identify any exceptions to the requirements in FPS 470. If there are exceptions, DPSC should obtain DOF approval for the exceptions, and retain the approval on file.

Management Response: DPSC's Financial Specialist III will complete the Department Operating Procedures Form as indicated in FPS470 and submit to Department of Finance for approval.

Note: *Since our audit finding, IAO verified that DPSC had completed the Department Operating Procedures Form. No follow-up will be performed for this item.*